BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE





COMMISSIONER CLIFFORD RECHTSCHAFFEN and ADMINISTRATIVE LAW JUDGE DARCIE HOUCK, co-presiding

Order Instituting Investigation on the Commission's Own Motion into the Maintenance, Operations and Practices of Pacific Gas and Electric Company (U39E) with Respect Investigation to its Electric Facilities; and 19-06-015 Order to Show Cause Why the Commission Should not Impose Penalties and/or Other Remedies for the Role PG&E's Electrical Facilities had in Igniting Fires in its Service Territory in 2017.

REPORTER'S TRANSCRIPT San Francisco, California August 13, 2019 Pages 1 - 40 PHC

Reported by: Ana M. Gonzalez, CSR No. 11320

1	INDEX
2	
3	PARTY STATUS GRANTED
4	Public Advocates Office 7 The Utility Reform Network 7
5	Coalition of California Utility 7
6	Employees Western States Petroleum Association 10
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	
21	
22	
23	
24	
25	
26	
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1	SAN FRANCISCO, CALIFORNIA
2	AUGUST 13, 2019 - 1:30 P.M.
3	* * * *
4	ADMINISTRATIVE LAW JUDGE HOUCK: On the
5	record.
6	The Commission will come order.
7	This is the time and place for the prehearing
8	conference in the Order Instituting
9	Investigation on the Commission's Own Motion
10	Into the Maintenance, Operations and
11	Practices of Pacific Gas and Electric
12	Company, with Respect to Its Electric
13	Facilities, and Order to Show Cause Why the
14	Commission Should Not Impose Penalties and/or
15	Other Remedies for the Role PG&E's Electrical
16	Facilities had in Igniting Fires in their
17	Service Territory in 2017. The Order
18	Instituting Investigation, or I'll refer to
19	it as the "OII," is Application 19-06-015.
20	I'm the Administrative Law Judge
21	assigned to this proceeding. My name is
22	Darcie Houck. The assigned Commissioner is
23	Commissioner Rechtschaffen to my left.
24	I'm going to walk through the agenda
25	for today's hearing, and turn it over to
26	Commissioner Rechtschaffen for opening
27	remarks and then we will go to other items on
28	the agenda.

1	After Commissioner Rechtschaffen's
2	opening comments, we will deal with motions
3	for Party Status, the yellow forms that folks
4	have filled out. And I will ask people that
5	want to be on the service list as either
6	Information Only or Requesting Party Status,
7	that have not yet filled out a yellow form,
8	to do that. And we will go off the record at
9	that time as well. We will then discuss the
10	scope of the proceeding, parties' comments on
11	the preliminary scoping memo and the
12	schedule.
13	We did note in the notice for this
14	hearing that PG&E's bankruptcy and AB 1054
15	may be applicable to scope and the schedule.
16	So I would just ask that to the extent your
17	comments address the scope, discuss them when
18	we are talking about the scope. And to the
19	extent they address the schedule, we can talk
20	about it when we address the schedule.
21	So first I'm going to turn it over
22	to Commissioner Rechtschaffen.
23	COMMISSIONER RECHTSCHAFFEN: Thank you
24	very much, Judge Houck.
25	I wanted to say a couple of things
26	quickly at the start. Obviously, this case
27	is very important in its own right. It

raises fundamental issues of public health

28

and safety that are critical to the State, to PG&E and its ratepayers.

But as Judge Houck mentioned, we have the overlay of AB 1054 now, which creates very strong incentives for PG&E to emerge from bankruptcy by next June. The issues that arise in this proceeding will have to be resolved as part of any kind of bankruptcy settlement. It is, therefore, in the interest of all the parties here, as well as other stakeholders in the State, in general, to have these matters resolved quickly.

As Judge Houck walks you through today, you are going to hear at various points our strong interest to try to expeditiously move forward. That is going to include ideas for settlement talks early on, opportunities to narrow legal issues, to stipulate about factual issues, and so forth, so that we can really move this forward as expeditiously as possible.

I recognize that a lot of the parties here are involved in many other safety proceedings relating to PG&E, and otherwise, many of them wildfire-related proceedings. It is a very difficult schedule. We respect that. But we also are

faced with an unprecedented situation, and we 1 2 need to move forward quickly. Thank vou. 3 ALJ HOUCK: So now we will discuss the Service List and Party Status. So PG&E is 4 5 the Respondent as a Party. The Commission's 6 Safety and Enforcement Division, or SED, is the investigatory arm for the Commission and 7 also a Party to the proceeding in an advocacy 8 9 role. This means that they are a Party like other parties, and the Commission's ex parte 10 11 rules will apply to them in the proceeding. 12 I want to make that clear, that they are an 13 They are not a decision advocate Party. 14 maker or advising decision makers in the 15 proceeding. Additionally, we've had motions for 16 17 Party Status filed by the Commission's Public Advocates Office, and The Utility Reform 18 19 Network, Coalition of California -- the 20 Coalition of California Utility Employees. 21 Is there any objection to Party 22 Status being granted? 23 MR. HILL: No objection from PG&E, your 24 Honor. 25 MR. SHER: Not from SED. 26 ALJ HOUCK: Party Status will be 27 granted to the Public Advocates Office, TURN and the Coalition of California Utility 28

1	Employees.
2	(Public Advocates Office was granted
3	Party Status.)
4	(The Utility Reform Network was
5	granted Party Status.)
6	(Coalition of California Utility
7	Employees was granted Party Status.)
8	ALJ HOUCK: We have some yellow forms.
9	And then, again, I don't see anyone filling
10	out forms, so I'm going to go forward with
11	the ones that we have.
12	We have the Center for Accessible
13	Technology has submitted a form for Party
14	Status in the proceeding. So who is is
15	Melissa
16	MR. SLIPSKI: Adrian Slipski is my
17	name. I'm not on there, but
18	ALJ HOUCK: Who would be the person?
19	MR. SLIPSKI: Melissa.
20	ALJ HOUCK: To the extent that you are
21	requesting Party Status, what is your planned
22	participation in the proceeding?
23	MR. SLIPSKI: The Center for Accessible
24	Technology represents people with
25	disabilities and low-income customers. And
26	to the extent that their safety is
27	particularly comes into question in issues
28	of PG&E's safety practices, we would like to

1 represent their interests in the proceeding. 2 ALJ HOUCK: Are you planning to sponsor 3 any witnesses or participate in negotiations 4 or make legal arguments? 5 MR. SLIPSKI: Not at this time. 6 ALJ HOUCK: At this time, unless the 7 commissioner has an objection, it might be 8 more appropriate to be Information Only, 9 unless you want to actively participate in 10 the proceeding. 11 MR. SLIPSKI: Sure. 12 ALJ HOUCK: Then we have the City and 13 County of San Francisco. It is William 14 Rosser? 15 MR. ROSTOV: Rostov. 16 Good afternoon, your Honor, 17 Commissioner. The City and County of San Francisco has three main interests in this 18 19 proceeding. We have a community choice 20 aggregator called --21 I'm sorry, MPower? THE REPORTER: 22 (Record read.) 23 MR. ROSTOV: -- clean Power SF that we 24 operate. We also have a publicly owned 25 utility that could be affected by wildfires. We also advocate for the energy customers 26 27 within the city of San Francisco. 28 represent all those interests, even if they

1 are bundled ratepayers of PG&E. 2 We plan on participating in this 3 proceeding. We don't know the extent of our participation yet. It kind of depends on the 4 5 schedule and other issues. ALJ HOUCK: At this point you are not 6 planning to present witnesses or file briefs? 7 8 MR. ROSTOV: We might file briefs, but 9 we don't know about witnesses. 10 ALJ HOUCK: You do intend to file 11 briefs? MR. ROSTOV: I'm not sure, at this 12 13 point. 14 ALJ HOUCK: Would it be more 15 appropriate for it to be Information Only 16 until you have a better understanding of how 17 you want to participate? MR. ROSTOV: We would prefer to be a 18 19 Party, if it is possible. If you want to make us Information Only, that is fine as 20 21 well. 22 ALJ HOUCK: At this point, I will mark 23 it Information Only. But to the extent I 24 see... 25 MR. ROSTOV: I think it is easier for 26 us to be Party Status. It will give us the 27 opportunity to participate when issues arise. 28 If it is going to be a fast-moving

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proceeding, we would like the opportunity to
 1
 2
    file briefs, as needed.
 3
          ALJ HOUCK:
                      I'm going to take that
    under submission, and then we will issue a
 4
 5
    ruling on that either shortly after the
 6
    prehearing conference or in the scoping memo.
 7
          MR. ROSTOV:
                       Thank you.
                      Then we've got Western
 8
          ALJ HOUCK:
 9
    States Petroleum Association, Michael
    Alcantar.
10
11
          MS. RAFII: Yes, Lillian Rafii,
    R-a-f-i-i, standing in for Michael Alcantar,
12
13
    A-1-c-a-n-t-a-r.
14
              For the Western States Petroleum
15
    Association, or WSPA, we intend to
16
    participate actively. I'm unsure about
17
    sponsoring witnesses, but we intend to file
    briefing and comments.
18
19
          ALJ HOUCK:
                      Is there anyone that
20
    objects to Western States Petroleum being a
21
    Party?
22
          MR. HILL: No objection.
23
          MR. SHER:
                     None, your Honor.
24
          ALJ HOUCK:
                      Seeing no objection, we
25
    will go ahead and grant Party Status.
26
              (Western States Petroleum
27
              Association was granted Party
28
              Status.)
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1 MS. RAFII: Thank you. 2 Then I've got Karen Mills ALJ HOUCK: 3 for the California Farm Bureau as Information 4 Only for the service list. 5 MS. MILLER: Yes, your Honor. 6 I do want to remind ALJ HOUCK: 7 everyone that this is an official hearing 8 with a court reporter, so the transcript is 9 being taken. And so I would ask that if you don't have a name tag in front of you, to 10 11 make sure to state your name so the court 12 reporter can accurately take down the record. 13 And to speak at a moderate speed, loud enough 14 for the court reporter to hear you so that we 15 can get an accurate transcript for the 16 proceeding. And if you don't say your name 17 and don't have a name tag, we may cut you 18 off. It is not being rude, we just want to 19 make sure we've got an accurate record. 20 I also want to inform parties that 21 may be seeking intervenor compensation that 22 to seek an award of compensation pursuant to 23 Public Utilities Code Section 1801 to 1812, 24 you should file and serve a notice of intent 25 to claim compensation no later than 30 days 26 after this prehearing conference.

If anyone has any questions about how to participate in the proceeding, either

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formally, informally, or to present public 1 2 comments, you can contact our Public 3 Advisor's office. Information on contacting the Public Advisor is on our website, and the 4 5 email is public.advisor@cpuc.ca.gov. 6 With that, we will go into the discussion of the scope of the proceeding. 7 8 Both SED and PG&E filed a Joint Prehearing 9 Conference Statement outlining their 10 positions. And there were a number of legal 11 and factual issues in dispute that were 12 listed. And also, as we mentioned before, we 13 have the implications of the bankruptcy in AB 1054. So we would like to hear from the 14 15 parties to the preliminary scope and how to 16 proceed. 17 Additionally, there may be some 18 issues that are disputed, the legal issues in 19 dispute that may be able to be dealt with in briefing upfront to move forward at least 20 21 some of those issues. So we would like to 22 hear from the parties on whether you believe 23 that some of those issues could be briefed 24 sooner rather than later, and which issues, 25 and what the potential timing would be, as we 26 can get into the schedule. 27 The other issue we would also like to hear from the parties, I believe that you 28

mentioned you were both open to settlement 1 2 discussions, and the Commissioner referenced 3 that. So we would like to hear if the parties are in discussions, if formal 4 5 settlement may be of help to the parties and what the parties' positions are on moving 6 forward with resolving those issues. As well 7 as the other issues, stipulation of facts, 8 which facts could be stipulated to, and which 9 ones will remain in dispute. 10 11 With that, we can start with PG&E. 12 MR. HILL: Thank you, your Honor; and thank you, Commissioner, for your opening 13 14 remarks. 15 Many of the issues that we like to 16 address touch both scope and schedule. 17 pursuant to your Honor's initial direction, I'll start first with those that are within 18 19 the scope, response to the preliminary scope 20 of the proceeding. 21 We agree with the Commissioner and 22 your Honor that the parties have to be 23 mindful of AB 1054 and the need for PG&E to 24 emerge from bankruptcy well in advance of 25 June 30, 2020. We think that is in the interest of the ratepayers, it is in the 26 27 interest of the communities that we serve that this proceeding be resolved as quickly 28

1 and as efficiently as possible.

For that reason, in response to the scope of the proceeding, we have set forward in our prehearing conference statement that it is our belief that systemic issues ought to be excluded from this proceeding.

Attachment B. I'll use those for shorthand.
Attachment A goes to specific fires with specific allegations, specific alleged violations. Attachment B addresses wide ranging, very broad systemic issues related to PG&E's electric facilities. To resolve the systemic issues that are raised in the OII cannot reasonably be done in the time allotted by AB 1054.

In addition, those systemic issues are already being reviewed in connection with the Wildfire Safety Plan that PG&E submitted. That Wildfire Safety Plan in SB 901 requires PG&E to look at the lessons learned from past events, implement corrective issues, which are all well under way.

We've had some preliminary discussions with SED about the exclusion of the systematic issues from the OII. It is our understanding that SED does not agree with that scope. But consistent with the

Commissioner's opening comments and your 1 2 Honor's direction, it is our belief that in order to resolve this OII expeditiously by 3 the deadline set forth in AB 1054, that we 4 5 should exclude those systemic issues from 6 this proceeding. 7 ALJ HOUCK: I just want to be clear, we 8 did not give an opinion on that issue. 9 MR. HILL: Yes, your Honor. 10 So with respect to an issue that is 11 directly as to scope, it would be the two 12 specific issues. 13 In terms of your Honor's question 14 regarding the briefing of legal issues 15 upfront, that is something we have not 16 previously discussed with SED or other 17 parties. But we do believe that there 18 probably is a schedule that we can meet and confer on to accomplish briefing of legal 19 issues at the outset of the proceeding. That 20 21 is a real good idea. We are happy to meet and confer with SED and other interested 22 23 parties on that approach. 24 Lastly, the settlement discussions. 25 The parties are engaged in settlement discussions. We do believe there is an 26 27 impact on the schedule to allow sufficient 28 time for those discussions to ripen and

1 progress. And based on a meeting this 2 morning, the parties would jointly seek time until September 30th to allow those 3 discussions to continue, see if we can make 4 5 progress towards a negotiated resolution to 6 the proceeding. 7 COMMISSIONER RECHTSCHAFFEN: You mean 8 you want to keep talking between now and 9 September 30th? You are not saying you want to pause until September 30th? 10 11 MR. HILL: We keep talking until 12 September. 13 COMMISSIONER RECHTSCHAFFEN: What is 14 your schedule right now? Do you have a 15 schedule, or SED and you met this morning? 16 MR. HILL: That is correct, your Honor -- Commissioner. 17 COMMISSIONER RECHTSCHAFFEN: And what 18 19 is next? MR. HILL: We have a meeting scheduled 20 21 for next Monday to continue those 22 discussions. 23 MS. MORSONY: Your Honor, Commissioner, 24 I just wanted to make a point that only SED 25 and PG&E were parties before this afternoon. 26 So I assume those were the only parties in 27 settlement. So we would hope that other 28 parties, like TURN, would be included in the

1 Monday discussion and beyond.
2 ALJ HOUCK: You will have an

opportunity to make comments in just a moment. Let's let each party go. And you will be able to talk with SED and PG&E afterwards to coordinate. But all parties should be included in settlement discussions.

MR. HILL: In terms of schedule, we would propose a stay of any discovery until at least September 30 to allow for these discussions to continue. Your Honor suggested earlier briefing of legal issues, there is one we hadn't considered previously in the context of these discussions. We can meet and confer with SED and other parties as to how that might interact with the proposed settlement talks.

ALJ HOUCK: And have you discussed whether you could come up with a stipulation or partial stipulation of facts?

MR. HILL: We haven't had a discussion as to a set of stipulated facts. Now that material facts in dispute, that are enumerated in the prehearing conference statement are clearly just a subset of the many facts that are alleged in the OII. It is possible that we could meet and confer and determine whether there are material facts

that we could stipulate to. We haven't yethad those discussions.

ALJ HOUCK: Thank you. Mr. Sher.

MR. SHER: Good afternoon, your Honor, good afternoon, Commissioner.

With regard to systemic issues, SED has been reviewing PG&E's submission and, in all likelihood, would seek additional time to comment on PG&E's filing.

We do understand PG&E's desire to exit from bankruptcy by June 30th. It would seem though that systemic issues would need to be addressed as part of that bankruptcy as well. So at some point, systemic issues will need to be addressed before the June nexus on bankruptcy. This proceeding may not be the proceeding, but we will need to find a place to address those systemic issues.

With regards to briefing, SED has limited legal resources at this moment and would rather focus on trying to settle the case and address other issues than submit briefs at this point in time.

SED has met twice with PG&E with regards to settlement. And as counsel for PG&E stated, we are meeting next week again. We are happy to meet with other parties, but at this point bilateral negotiations are what

we are considering with PG&E. 1 2 One other issue that arose, that has 3 My understanding and, PG&E correct me on this, PG&E is seeking legislation to 4 5 issue bonds. That legislation would have to 6 be at least, I believe, come out of the 7 current legislative session which ends 8 September 13th, which is why we are 9 requesting the September 30th date to continue settlement discussion. 10 11 COMMISSIONER RECHTSCHAFFEN: What is 12 the relevance of that legislation here? 13 MR. SHER: It impacts how and what we 14 settle on. If PG&E is successful in 15 obtaining the legislation that allows it to 16 issue bonds, that will impact negotiations in 17 If PG&E is unsuccessful, it impacts one way. 18 negotiations in another way. Please correct 19 me if I'm wrong. 20 MR. HILL: That is accurate, your 21 Honor. 22 COMMISSIONER RECHTSCHAFFEN: We will 23 know in? 24 MR. SHER: In a month. 25 COMMISSIONER RECHTSCHAFFEN: In a 26 month, or less. Okay. And Mr. Sher, you had 27 ALJ HOUCK: 28 referenced in the status conference that you

1 may be seeking to include the Lobo Fire, 2 McCourtney Fire and Camp Fire in this 3 proceeding. Could you provide an update on where SED is with that? 5 MR. SHER: Thank you, your Honor, for 6 reminding me. 7 With regards to Lobo and McCourtney, 8 my understanding is we have submitted our 9 reports to CAL FIRE to make certain we are not going to publicize confidential 10 11 information. 12 With regards to Camp Fire, SED has 13 not finished its report at this point in 14 time, but is hoping to get at least a summary of the facts together so that we can try and 15 16 stipulate to facts with PG&E to have that 17 case brought into this proceeding, again, 18 with the bankruptcy in 1054 sort of looming 19 over us. ALJ HOUCK: What's the timing on that? 20 21 We should be able to submit MR. SHER: 22 those, Lobo, McCourtney and 2018, assuming we 23 can agree with PG&E on stipulated facts with 24 regard to 2018 Camp Fire, prior to September 30th. We would submit a motion to 25 26 your Honor to include those in this 27 proceeding. 28 COMMISSIONER RECHTSCHAFFEN: But just

the facts for Camp Fire? You wouldn't have a 1 2 report or any allegations? 3 MR. SHER: At this point in time it 4 would be facts. If we can, we shall. 5 MR. HILL: Your Honor, if I could 6 follow-up on that, on that last statement. We are in a posture now where the OII could 7 possibly be getting larger. We are 8 9 attempting to narrow the issues and resolve this expeditiously. We would submit that is 10 11 an additional reason to exclude the systemic In response to Mr. Sher's comment 12 issues. 13 about the systemic issues need to be 14 addressed, we agree with that. PG&E 15 actually agrees that --16 ALJ HOUCK: I'm going to ask you to 17 hold on a second. Let's let the other 18 parties make their comments, and you will 19 have a chance to respond to everybody. Absolutely, thank you. 20 MR. HILL: 21 ALJ HOUCK: Thank you. TURN. 22 MS. MORSONY: Katy Morsony on behalf of 23 TURN. 24 First, I would like to express, 25 again, we look forward to being included in 26 the future settlement negotiations. 27 Second, I would like to speak to the 28 idea of systemic issues. We agree with SED

1 that it is important to keep them in the scope here. We don't want anything that 2 3 limits the potential remedies on -- to those 4 systemic issues because the scope has been 5 limited to keep them out. 6 COMMISSIONER RECHTSCHAFFEN: There are 7 seats in here if folks don't want to stand. 8 Or if you want to make it seem like it is a 9 standing-room-only crowd, that is fine. 10 (Laughter.) 11 ALJ HOUCK: Thank you. 12 Public Advocates Office. 13 MS. LEE: Public Advocates Office 14 recognizes the importance of trying to 15 resolve this proceeding quickly, given the 16 legislation, AB 1054 and the bankruptcy. 17 the Commission's investigation shouldn't be 18 at the expense of those factors, shouldn't be 19 at the expense of thoroughly reviewing the 20 tragic events that resulted in 22 deaths. 21 And I guess if you count the Camp Fire, it is 22 even more. 23 We agree that the Commission should 24 consider systemic remedies in this proceeding 25 and use the opportunity to come up with effective mitigations for PG&E's and other 26 27 electric utilities' conduct regarding the 28 facilities in the future.

And my understanding from a separate 1 2 prehearing conference, of which PG&E attorney 3 spoke, is that the bankruptcy does not impact the Commission's police power. And so to the 4 5 extent that the Commission is going to do 6 structural remedies, or impose reporting requirements, or do things that aren't 7 8 necessarily a financial penalty, that that is 9 not impacted by the bankruptcy proceeding. 10 And so a thing that would be helpful 11 I feel going forward is if PG&E could 12 explain, perhaps in a brief due within the 13 next two weeks, exactly how the bankruptcy 14 and 1054 requirements impact this proceeding. So, for example, when does the bankruptcy 15 16 court have to have an estimate of what a 17 claim might be and how solid does that claim have to be? If PG&E could brief that 18 19 subject, let's say within the next two weeks, and other parties could reply after that, 20 21 that might give everybody a better 22 understanding of exactly how the bankruptcy proceeding and AB 1054 impact this, and what 23 24 things have to be decided quickly and what 25 things could take longer. So, for example, hypothetically 26 27 speaking, if the systemic remedies were more 28 structural or they were capped at a certain

amount, perhaps that part of the proceeding 1 2 wouldn't need to be finished so quickly. 3 So I respectfully request that the Commission seek additional information on 4 5 this topic before ruling definitively on the 6 scope of the proceeding. I'm sorry, that blows into the schedule a little bit. But I 7 feel like it is related to the scope and 8 9 schedule that PG&E is pretty intertwined. 10 ALJ HOUCK: Anything else? 11 MS. LEE: Thank you, your Honor. 12 ALJ HOUCK: CCUE, please state your 13 name for the court reporter. 14 MS. KOSS: Rachael Koss, K-o-s-s, on behalf of CCUE. 15 16 I want to echo the concerns of PG&E over including systemic issues in the scope 17 18 here. As PG&E mentioned, they are being 19 addressed in the Wildfire Mitigation Plan They are also being addressed in 20 proceeding. the Safety Culture OII. 21 22 The issue here with respect to 1054 23 and bankruptcy is that in order for the 24 insurance fund -- which the IOUs contribute 25 \$10.5 billion to, and I think PG&E's portion is about 6.75 billion -- is that the 26 27 bankruptcy court has to find by June 30th, 28 2020 that PG&E has sufficient funds to pay

prebankruptcy wildfire claims. Any financial 1 2 penalties looking in this proceeding and 3 other proceedings threatens that timing of 4 bankruptcy court. And so the impact would be 5 potentially no insurance fund, which would 6 harm ratepayers. So that is how the 7 bankruptcy proceeding impacts this 8 proceeding. 9 CCUE does not oppose structural 10 remedies with respect to a larger scope, but 11 we would offer that pretty much every 12 potentially culpable manager is now gone from 13 PG&E, so we would lean on the side of 14 limiting the scope of this proceeding. And we are open to early briefing of 15 16 legal issues. I haven't been a part of any 17 of the discussions thus far with respect to those issues or settlement, but we look 18 19 forward to participating. Thank you. ALJ HOUCK: Western States Petroleum 20 21 Association. 22 MS. RAFII: Thank you, your Honor. Lillian Rafii for WSPA. 23 24 So from a ratepayer standpoint, it 25 is important that the systemic issues remain within scope. And so WSPA's preference is 26 27 that those issues are -- that those issues 28 remain. They will be within scope for

parties to brief, and for the Commission to 1 2 make a decision on. 3 ALJ HOUCK: Thank you. Mr. Hill, you had a response to 4 5 some... 6 MR. HILL: Yes, your Honor. I really 7 just wanted to reiterate on an early comment. 8 Systemic issues are, at least in large part, 9 being addressed and reviewed in connection with the Wildfire Safety Plan. There is an 10 11 avenue to explore those issues and explore 12 the corrective actions that could be awarded 13 as a remedy in this proceeding. Those issues 14 are, at least in part, being addressed in connection with the Wildfire Safety Plan. 15 16 I'm going to ask my co-counsel, 17 Ms. Wong, to address one of the comments that 18 was made previously. 19 MS. WONG: With regard to TURN's 20 request that perhaps PG&E submit briefing to 21 explain how the bankruptcy --22 ALJ HOUCK: That was Public Advocates. I'm sorry, Public Advocates. 23 MS. WONG: 24 MS. LEE: No problem. 25 MS. WONG: -- and how AB 1054 affects the proceedings and ask for a two-week 26 27 turnaround time, given that there are a 28 number of issues in these proceedings that

are not quite yet settled, including the 1 2 actual dates, we would prefer to talk to the parties and help explain what the various 3 issues are. If they would like to have 4 5 briefing on this, then we would ask for more time than two weeks to allow certain dates in 6 the bankruptcy proceeding to be more settled, 7 which would allow us to have a better 8 9 explanation of what that process looks like and how the OII would be affected by the 10 11 bankruptcy proceedings. 12 ALJ HOUCK: When we get into schedule, 13 I want to give everyone a chance to finish on 14 I think it would be fair to say that 15 you could give, not with exact dates, but 16 just a brief summary of why the bankruptcy 17 court is going to need some information 18 before the end of the year. And I think AB 19 1054 is fairly clear about what the implications are if PG&E is not out of 20 21 bankruptcy by June 30th of next year. Or you 22 can do that now, if you would like. 23 Sure, we can do that now. MS. WONG: 24 think we could have a more thorough 25 discussion later as well. But to give you some idea of why the 26 27 bankruptcy proceeding is important, in order 28 to take part with the wildfire fund that has

been established by AB 1054, PG&E is required 1 2 to emerge from bankruptcy. And in order for 3 PG&E to emerge from bankruptcy, the claims need to be more established from the civil 4 litigation, the various liabilities need to 5 6 be established to a more solid --7 ALJ HOUCK: Prepetition liabilities? Prepetition liabilities need 8 MR. HILL: 9 to be established to a more solid place so that PG&E could address those liabilities in 10 11 a plan of reorganization that would need to 12 be approved by the bankruptcy court. 13 ALJ HOUCK: That date is somewhere 14 roughly in October, late October, early 15 November? 16 MS. WONG: The claims must be submitted by October 21st. I think some time in late 17 October. 18 19 ALJ HOUCK: Thank you. 20 Are there any other comments on 21 scope? 22 (No response.) 23 ALJ HOUCK: Let's move on to schedule. 24 Mr. Hill. 25 MR. HILL: Yes, your Honor. We posed a series of variables in the prehearing 26 27 conference statement jointly drafted by PG&E and SED that affect the schedule. So one 28

we've already discussed I think by all 1 parties is AB 1054's requirement that PG&E 2 3 emerge from bankruptcy. We've discussed 4 that. 5 The implementation cost of any 6 corrective actions, depending on how substantial they are, they might need to be 7 8 addressed as part of the bankruptcy 9 proceedings. And the schedule that PG&E at least 10 11 has proposed is one that excludes systemic 12 I know that your Honor hasn't made 13 that decision yet, but the schedule that we 14 posed at least initially would exclude 15 systemic issues. And it still remains a very 16 aggressive schedule to hope to accomplish or 17 to resolve the proceeding in time for the AB 1054 deadline. 18 19 Now, the wrinkle that I addressed 20 earlier today is the result of the 21 conversations this morning to extend that 22 time to have settlement discussions through 23 September 30th, and that would be accompanied 24 by a stay in discovery through 25 September 30th. That would impact the dates 26 I think that both parties have proposed in 27 the prehearing conference statement where 28 we've suggested opening testimony in the

That would be impacted 1 October time frame. 2 if we do have a discovery stay, and we are 3 engaged in settlement negotiations. 4 All that to say is it is quite 5 difficult to craft a schedule in this 6 proceeding that would resolve, pursuant to the Commission's rules, if we were to 7 8 actually go through a hearing and 9 post-hearing briefing, et cetera, to resolve that in time to meet AB 1054 deadline. 10 We 11 are open to continuing to engage in 12 conversations with SED and the new parties to 13 the proceeding, and am interested in hearing 14 from SED and others as to review on schedule. 15 COMMISSIONER RECHTSCHAFFEN: If vour 16 schedule is hard to meet in the absence of 17 the stay, it would make it impossible. If we 18 have a stay in discovery, settlement is not 19 successful, your schedule is impossible. 20 There is no way that you can meet the 21 deadline in 1054. 22 Commissioner, we don't see a MR. SHER: 23 way to meet this time line, I mean, taking 24 into account what has happened. And as 25 Public Advocates stated, there is a need to get to the bottom of this, make sure it 26 27 doesn't happen again. This schedule, while

on paper, I don't see how it can get met.

28

COMMISSIONER RECHTSCHAFFEN: 1 That is 2 why we want you guys to talk very seriously 3 about settlement right away. But put that aside, I can't speak for Judge Houck, you are 4 5 calling for a stay in discovery for six weeks 6 or seven weeks. That makes the process -pushes it back an additional seven weeks. We 7 are short on time to begin with under your 8 9 schedule. Your schedule is very problematic. So I -- I'm just commenting that it doesn't 10 11 seem to work. We are taking settlement 12 MR. SHER: 13 very, very seriously. 14 COMMISSIONER RECHTSCHAFFEN: Okay. 15 ALJ HOUCK: What do the parties suggest 16 the Commission do if we have a deadline of 17 October 21st to provide something to the 18 bankruptcy? In the absence of having this 19 resolved, how do you propose that we come up 20 with a number to give as a placeholder to the 21 bankruptcy court? Mr. Sher. 22 MR. SHER: We have been working quite 23 hard on trying to figure that out. This is 24 not the approach SED would normally take. The bankruptcy, AB 1054 have caused things to 25 26 go sideways. It is our expectation and 27 intent to come up with numbers. 28 ALJ HOUCK: By September 30th?

1 MR. SHER: If we can, yes. 2 ALJ HOUCK: By September 30th? 3 MR. HILL: Your Honor, we are engaging 4 in these settlement negotiations in good 5 faith. You have indicated the key component 6 here is monetary penalties, if any, must be 7 known by the October date, more remedial measures perhaps on a different track. But 8 9 to the extent there is going to be a monetary component to this, it needs to be worked out 10 11 by October. We are engaging seriously in 12 good faith with SED to try to make that 13 happen. 14 MS. WONG: Sorry, your Honor, if I 15 could clarify on one thing. The end of 16 October date is so that some percentage of 17 claims is submitted by then, but really we 18 have until the end of the year to resolve the 19 monetary penalty side of things before the 20 bankruptcy proceeding. 21 COMMISSIONER RECHTSCHAFFEN: So your 22 schedule doesn't talk about -- nothing is 23 going to be resolved by the end of the year in your schedule? 24 25 MS. WONG: No. But one of the issues we did flag in our statement is that we do 26 27 need to have monetary penalties or corrective actions that require shareholder contribution 28

to be fully resolved by the end of 2019 in 1 2 order for them to be included in the 3 Chapter 11 proceeding. MR. SHER: Part of the difficulty, SED 4 5 does not have access to bankruptcy counsel, 6 so we rely on PG&E and others. nonfinancial or the nonpenalty remedies, as 7 8 counsel just stated, some of those have 9 monetary impacts. And it is just not clear 10 to us how far we can go without PG&E 11 shareholders bearing those costs and have 12 them be part of this and be addressed by the 13 bankruptcy court. ALJ HOUCK: Ms. Morsony. 14 Your Honor, I just wanted 15 MS. MORSONY: 16 to take this moment in this discussion to concur with Public Advocates' request for 17 briefing on this issue. I think this 18 19 discussion is demonstrating how complicated 20 it is. 21 And I really believe that the record would benefit from a brief from PG&E or its 22 23 bankruptcy counsel that goes through the 24 required dates, what is required by each of 25 those dates, for example, claims. If the monetary claims don't need to be finished 26 27 October 21st, by what time at the end of the

Do they need to be fully thought out

28

year?

and final, or can they be still an estimate at that time? Are we going for a certain degree of accuracy, or do they need to be -- or is this just the ultimate liability of the utility.

I think if we can get something on the record rather than speculating, it would be very helpful for settlement negotiations to move along and for a schedule to be determined.

MR. HILL: May I be heard?

ALJ HOUCK: Yes.

MR. HILL: PG&E would agree to brief this issue. We agree the record would benefit from clarity on this. We would ask for three weeks as opposed to two weeks to file those briefs, but we are in agreement that it would be helpful.

ALJ HOUCK: So just for clarification, when we are saying briefing this issue, are you providing a summary of the status of the bankruptcy proceeding and what the dates are? Or what legal issues would you be briefing, per se, as opposed to be providing a summary?

MR. HILL: Our understanding is: What impact do the bankruptcy proceedings have on this OII proceeding in terms of the deadlines that need to be met in the bankruptcy court?

```
How does that impact what we are to do here
 1
 2
    in this OII proceeding? That might include a
 3
    summary of the status of the bankruptcy
    proceedings. But at least I see this going
 4
 5
    beyond that to explaining how the bankruptcy
 6
    impacts schedule here, the contemplation
    penalties here, both monetary and
 7
 8
    nonmonetary, and other related issues.
 9
          ALJ HOUCK:
                      Ms. Lee.
10
          MS. LEE:
                    Thank you, your Honor.
11
              A question I would hope would be
12
    answered from the briefing is the certainty
13
    of any penalties or monetary amounts that the
14
    bankruptcy court needs. PG&E's proposed
15
    schedule assumes that monetary penalties that
16
    require shareholder contributions are
    excluded from this OII.
17
18
              But let's just say hypothetically
19
    that the Commission wants to include them.
    Is it adequate by the end of the year to
20
21
    have, like, an estimate of the monetary
22
    contribution by the shareholders or a cap?
23
    So the nature of the claims that are required
24
    by the end of the year would be something
25
    that I think would benefit the record.
26
          ALJ HOUCK: Is Public Advocates a Party
27
    in the bankruptcy?
28
          MS. LEE: Yes, your Honor.
```

1	ALJ HOUCK: Is TURN a Party in the
2	bankruptcy?
3	MS. MORSONY: Yes.
4	ALJ HOUCK: SED?
5	MR. SHER: We are not a party. We
6	don't have access to bankruptcy counsel.
7	ALJ HOUCK: Western States Petroleum,
8	are you a party of the bankruptcy?
9	MS. RAFII: Not that I'm aware of.
10	ALJ HOUCK: CCUE?
11	MS. KOSS: One of CCUE's member unions,
12	IBEW Local 1245, which represents the
13	workers, unionized workers at PG&E, is a
14	Party to the bankruptcy proceeding.
15	ALJ HOUCK: So TURN, CCUE, Public
16	Advocates do have bankruptcy counsel?
17	MS. MORSONY: Yes, your Honor.
18	ALJ HOUCK: Are there any other
19	comments on schedule? Ms. Lee.
20	MS. LEE: Your Honor, I would ask that
21	as this proceeding moves forward that the
22	Commission keep in mind that responding to
23	discovery promptly will be really important
24	for keeping the schedule. And I would
25	recommend that the Commission consider
26	something like designating a law and motion
27	judge to hear any discovery disputes, and
28	perhaps including an expedited response

requirement to any motions to compel so that 1 2 the proceeding isn't bogged down by discovery 3 disputes. 4 MS. MORSONY: I would also request 5 separately, to the extent that PG&E does 6 provide a brief on the interplay of 7 bankruptcy with this proceeding, that other 8 parties have an opportunity to reply to that 9 brief. ALJ HOUCK: Mr. Sher. 10 11 MR. SHER: I don't disagree with that. 12 At some point though, if we have dueling 13 bankruptcy counsel and dueling positions, who 14 do we rely on? But I support the ability to 15 require. 16 ALJ HOUCK: Any other parties have 17 comments? 18 (No response.) 19 ALJ HOUCK: We are going to go off the 20 record for one moment. 21 (Off the record.) 22 ALJ HOUCK: We are going to go back on 23 the record. So you are meeting next Monday; is 24 25 that correct? 26 Yes, your Honor. MR. HILL: 27 ALJ HOUCK: Can you -- well, we are 28 going to direct you to provide an update by

Wednesday of next week on what, if any, 1 progress has been made with the settlement 2 3 discussions. 4 We will take under submission the 5 issue of whether discovery should or 6 shouldn't be stayed and address that in a 7 separate ruling. 8 We also would like when you meet 9 next week to have an initial discussion on what legal issues could potentially be 10 11 briefed upfront. And when you provide the 12 update next week to include the status of 13 whether there is any agreement on briefing, 14 and also whether and what progress you may be making on stipulation of facts and additional 15 16 issues to be included in the scope of the 17 proceeding. And that would be, have that 18 filed and served by August 21st. Mr. Sher. 19 MR. SHER: Your Honor, earlier on I 20 believe you used the word in turn you would 21 mandate that we all got together in 22 settlement. I want to make certain that 23 parties have the ability to negotiate 24 individually with PG&E, as necessary. 25 ALJ HOUCK: Yes, follow the process. 26 But I do want parties to have an opportunity 27 to have discussions to see where they fit

into any potential settlements. So you are

28

```
1
    not to ignore other parties.
 2
          MR. SHER:
                     Understood.
 3
          ALJ HOUCK: Are there any other issues
    the parties want to address today?
 4
 5
          MR. HILL:
                     None from PG&E, your Honor.
 6
          MR. SHER: For clarification, your
 7
    Honor, you are ordering that PG&E will submit
 8
    a brief within three weeks, and parties will
 9
    have an opportunity to reply?
          ALJ HOUCK: That will be addressed in a
10
    separate ruling.
11
12
          MR. SHER:
                     Thank you. Your Honor, just
13
    also, you are more than likely aware this is
14
    not the only OII open with regards to PG&E's
15
    locate and mark and others, which impact the
16
    bankruptcy?
17
          ALJ HOUCK: Yes, I'm well aware of
18
    that.
19
              Are there any other comments?
20
              (No response.)
21
          ALJ HOUCK: That conclude the hearing.
22
    We are adjourned. Off the record.
23
              (Whereupon, at the hour of 2:21
          p.m., this matter having been
24
          concluded, the Commission then
          adjourned.)
25
26
27
28
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1	BEFORE THE PUBLIC UTILITIES COMMISSION
2	OF THE
3	STATE OF CALIFORNIA
4	
5	
6	CERTIFICATION OF TRANSCRIPT OF PROCEEDING
7	I, ANA M. GONZALEZ, CERTIFIED SHORTHAND REPORTER
8	NO. 11320, IN AND FOR THE STATE OF CALIFORNIA, DO
9	HEREBY CERTIFY THAT THE PAGES OF THIS TRANSCRIPT
10	PREPARED BY ME COMPRISE A FULL, TRUE, AND CORRECT
11	TRANSCRIPT OF THE TESTIMONY AND PROCEEDINGS HELD IN
12	THIS MATTER ON AUGUST 13, 2019.
13	I FURTHER CERTIFY THAT I HAVE NO INTEREST IN THE
14	EVENTS OF THE MATTER OR THE OUTCOME OF THE PROCEEDING.
15	EXECUTED THIS AUGUST 19, 2019.
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20	() M Lasila
21	ANA M. GONZALEZ CSR NO. 11320
22	GSK NO. 11320
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\$	9	adjourned 39:22,24 Administrative 3:4,20	allotted 14:16 amount 24:1
\$10.5 24:25	901 14:20	Adrian 7:16	amounts 35:13
910.3 24.25	301 14.20	advance 13:24	and/or 3:14
1	Α	advising 6:14	applicable 4:15
10E4 4.14 F.4 10.14		Advisor 12:4	Application 3:19
1054 4:14 5:4 12:14 13:23 14:16 15:4 20:18	A-L-C-A-N-T-A-R 10:13	Advisor's 12:3	apply 6:11
22:16 23:14,23 24:22 26:25 27:19 28:1 29:18	AB 4:14 5:4 12:13 13:23	advocacy 6:8	approach 15:23 31:24
30:10,21 31:25	14:16 15:4 22:16 23:23 26:25 27:18 28:1 29:2,	advocate 6:13 8:26	approved 28:12
1054's 29:2	17 30:10 31:25	Advocates 6:18,27 7:2	arguments 8:4
11 33:3	ability 37:14 38:23	22:12,13 26:22,23	arise 5:7 9:27
1245 36:12	absence 30:16 31:18	30:25 35:26 36:16	arisen 19:3
13 3:2	Absolutely 21:20	Advocates' 33:17	arm 6:7
13th 19:8	access 33:5 36:6	affect 28:28	arose 19:2
1801 11:23	Accessible 7:12,23	affected 8:25 27:10	assigned 3:21,22
1812 11:23	accompanied 29:23	affects 26:25	Association 10:9,15,
19-06-015 3:19	accomplish 15:19	afternoon 8:16 16:25 18:4,5	27 25:21
1:30 3:2	29:16	agenda 3:24,28	assume 16:26
	account 30:24	aggregator 8:20	assumes 35:15
2	accuracy 34:3	aggressive 29:16	assuming 20:22
2017 3:17	accurate 11:15,19 19:20	agree 13:21 14:27	Attachment 14:7,8,9,
2018 20:22,24	accurately 11:12	20:23 21:14,28 22:23	11
2019 3:2 33:1	actions 26:12 29:6	34:13,14	attempting 21:9
2020 13:25 24:28	32:28	agreement 34:17 38:13	attorney 23:2
21st 28:17 31:17 33:27	actively 8:9 10:16	agrees 21:15	August 3:2 38:18
38:18	actual 27:2	ahead 10:25	avenue 26:11
22 22:20	addition 14:17	Alcantar 10:10,12	award 11:22
2:21 39:23	additional 18:8 21:11	ALJ 6:3,26 7:8,18,20	awarded 26:12
	24:4 31:7 38:15	8:2,6,12 9:6,10,14,22	aware 36:9 39:13,17
3	Additionally 6:16 12:17	10:3,8,19,24 11:2,6 15:7 17:2,18 18:3 19:27	В
30 11:25 13:25 17:10	address 4:17,19,20	20:20 21:16,21 22:11	
30th 16:3,9,10 18:11	13:16 18:18,22 26:17	24:10,12 25:20 26:3,22 27:12 28:7,13,19,23	back 31:7 37:22
19:9 20:25 24:27 27:21 29:23,25 31:28 32:2	28:10 38:6 39:4	31:15,28 32:2 33:14	bankruptcy 4:14 5:6,9 12:13 13:24 18:11,13,
23.23,23 31.20 32.2	addressed 18:13,15	34:12,19 35:9,26 36:1, 4,7,10,15,18 37:10,16,	16 20:18 22:16 23:3,9,
6	21:14 24:19,20 26:9,14 29:8,19 33:12 39:10	19,22,27 38:25 39:3,10,	13,15,22 24:23,27 25:4
	addresses 14:11	17,21	7 26:21 27:7,11,16,21, 27 28:2,3,12 29:3,8
6.75 24:26	adequate 35:20	allegations 14:10 21:2	31:18,21,25 32:20 33:5
		alleged 14:10 17:26	13,23 34:22,26,28 35:3

Index: \$10.5..bankruptcy

5,14,27 36:2,6,8,14,16 37:7,13 39:16	caused 31:25	18,23 18:5 19:11,22,25 20:28 22:6 30:15,22	coordinate 17:6
based 16:1	CCUE 24:12,15 25:9 36:10,15	31:1,14 32:21	correct 16:16 19:3,18 37:25
bearing 33:11	CCUE's 36:11	Commissioner's 15:1	corrective 14:22 26:12
begin 31:8	Center 7:12,23	communities 13:27	29:6 32:27
behalf 21:22 24:15	certainty 35:12	community 8:19	cost 29:5
belief 14:5 15:2	cetera 30:9	Company 3:12	costs 33:11
benefit 33:22 34:15	chance 21:19 27:13	compel 37:1	counsel 18:25 33:5,8,
35:25	Chapter 33:3	compensation 11:21,	23 36:6,16 37:13
bilateral 18:28	choice 8:19	22,25	count 22:21
billion 24:25,26	city 8:12,17,27	complicated 33:19	County 8:13,17
bit 24:7	civil 28:4	component 32:5,10	couple 4:25
blows 24:7	claim 11:25 23:17	concerns 24:16	court 11:8,11,14 23:16 24:13,27 25:4 27:17
bogged 37:2	claims 25:1 28:3,16	conclude 39:21	28:12 31:21 33:13
bonds 19:5,16	32:17 33:25,26 35:23	concluded 39:24	34:28 35:14
bottom 30:26	clarification 34:19	concur 33:17	craft 30:5
briefed 12:23 38:11	39:6	conduct 22:27	creates 5:5
briefing 10:18 12:20	clarify 32:15	confer 15:19,22 17:15, 27	critical 5:1
15:14,19 17:12 18:19 25:15 26:20 27:5 30:9	clarity 34:15	conference 3:8 10:6	crowd 22:9
33:18 34:20,23 35:12	clean 8:23	11:26 12:9 14:4 17:24	culpable 25:12
38:13	clear 6:12 15:7 27:19 33:9	19:28 23:2 28:27 29:27	Culture 24:21
briefs 9:7,8,11 10:2 18:23 34:17	co-counsel 26:16	confidential 20:10	current 19:7
broad 14:12	coalition 6:19,20,28	connection 14:18 26:9,15	customers 7:25 8:26
brought 20:17	7:6	considered 17:13	cut 11:17
bundled 9:1	Code 11:23	consistent 14:28	
Bureau 11:3	comment 18:9 21:12		
Buleau 11.3	26:7	contact 12:2 contacting 12:3	Darcie 3:22
С	commenting 31:10	contacting 12.3	date 19:9 28:13 32:7,16
CAL 20:9	comments 4:2,10,17 10:18 12:2 15:1 17:3	context 17:14	dates 27:2,6,15 29:25 33:24,25 34:22
California 3:1 6:19,20,	21:18 26:17 28:20 36:19 37:17 39:19	continue 16:4,21 17:11	days 11:25
28 7:6 11:3	Commission 3:6,14	19:10	deadline 15:4 29:18
called 8:20	6:7 22:23 23:5 24:4	continuing 30:11	30:10,21 31:16
calling 31:5	26:1 31:16 35:19 36:22, 25 39:24	contribute 24:24	deadlines 34:27
Camp 20:2,12,24 21:1	Commission's 3:9	contribution 32:28 35:22	deal 4:2
22:21	6:5,10,17 22:17 23:4	contributions 35:16	dealt 12:19
cap 35:22	30:7	conversations 29:21	deaths 22:20
capped 23:28	commissioner 3:22, 23,26 4:1,22,23 8:7,17	30:12	decided 23:24
case 4:26 18:22 20:17	13:2,13,21 16:7,13,17,		

Index: based..decided

decision 6:13,14 26:2 29:13		expeditiously 5:17,22 15:3 21:10	finish 27:13
definitively 24:5		expense 22:18,19	finished 20:13 24:2 33:26
degree 34:3	earlier 17:12 29:20 38:19	explain 23:12 26:21 27:3	Fire 20:1,2,9,12,24 21:1 22:21
demonstrating 33:19	early 5:18 25:15 26:7	explaining 35:5	fires 3:16 14:9
depending 29:6	28:14		
depends 9:4	easier 9:25	explanation 27:9	fit 38:27
designating 36:26	echo 24:16	explore 26:11	flag 32:26
desire 18:10	effective 22:26	express 21:24	focus 18:21
determine 17:28	efficiently 14:1	extend 29:21	folks 4:3 22:7
determined 34:10	electric 3:11,12 14:13	extent 4:16,19 7:20,26 9:3,23 23:5 32:9 37:5	follow 38:25
difficult 5:27 30:5	22:27	9.3,23 23.3 32.9 37.3	follow-up 21:6
difficulty 33:4	Electrical 3:15	F	form 4:7 7:13
direct 37:28	email 12:5		formal 13:4
direction 13:17 15:2	emerge 5:6 13:24 28:2, 3 29:3	faced 6:1	formally 12:1
directly 15:11	Employees 6:20 7:1,7	facilities 3:13,16 14:13 22:28	forms 4:3 7:8,10
disabilities 7:25	end 27:18 32:15,18,23	factors 22:18	forward 5:17,21 6:2
disagree 37:11	33:1,27 35:20,24		7:10 12:20 13:7 14:3 21:25 23:11 25:19
discovery 17:9 29:24	ends 19:7	facts 13:8,9 17:20,22, 23,26,28 20:15,16,23	36:21
30:2,18 31:5 36:23,27	energy 8:26	21:1,4 38:15	frame 30:1
37:2 38:5	Enforcement 6:6	factual 5:20 12:11	Francisco 3:1 8:13,18
discuss 4:9,17 6:3	engage 30:11	fair 27:14	27
discussed 15:16 17:18	engaged 15:25 30:3	fairly 27:19	front 11:10
29:1,3	engaging 32:3,11	faith 32:5,12	fully 33:1,28
discussion 12:7 17:1, 21 19:10 27:25 33:16,		Farm 11:3	fund 24:24 25:5 27:28
19 38:9	enumerated 17:24	fast-moving 9:28	fundamental 4:28
discussions 13:2,4	established 28:1,4,6,9	feel 23:11 24:8	funds 24:28
14:25 15:24,26,28 16:4,	estimate 23:16 34:1 35:21	figure 31:23	future 21:26 22:28
22 17:7,11,14 18:2 25:17 29:22 38:3,27	events 14:22 22:20	file 9:7,8,10 10:2,17	
dispute 12:11,19 13:10	exact 27:15	11:24 34:17	G
17:23	exclude 15:5 21:11	filed 6:17 12:8 38:18	Gas 3:11
disputed 12:18	29:14	filing 18:9	general 5:12
disputes 36:27 37:3	excluded 14:6 35:17	filled 4:4,7	
Division 6:6	excludes 29:11	filling 7:9	give 9:26 15:8 23:21 27:13,15,26 31:20
drafted 28:27	exclusion 14:25	final 34:1	good 8:16 15:21 18:4,5
due 23:12	exit 18:11	financial 23:8 25:1	32:4,12
	expectation 31:26	find 18:17 24:27	grant 10:25
dueling 37:12,13	EXDECIGION 31/0		

Index: decision..granted

guess 22:21 17,21 initially 29:14 Κ **guys** 31:2 hour 39:23 Instituting 3:8,18 hypothetically 23:26 insurance 24:24 25:5 K-O-S-S 24:14 Н 35:18 intend 9:10 10:15,17 **Karen** 11:2 intent 11:24 31:27 happen 30:27 32:13 Katy 21:22 ı interact 17:16 happened 30:24 keeping 36:24 **IBEW** 36:12 interest 5:10,16 13:26, happy 15:21 18:27 key 32:5 27 idea 15:21 21:28 27:26 hard 30:16 31:23 kind 5:8 9:4 interested 15:22 30:13 **ideas** 5:18 **harm** 25:6 **Koss** 24:14 36:11 interests 8:1,18,28 **Igniting** 3:16 health 4:28 interplay 37:6 L ignore 39:1 hear 5:15 11:14 12:14, intertwined 24:9 impact 15:27 19:16 22,28 13:3 36:27 large 26:8 23:3,14,23 25:4 29:25 intervenor 11:21 **heard** 34:11 34:26 35:1 39:15 larger 21:8 25:10 investigation 3:9,18 hearing 3:25 4:14 11:7 impacted 23:9 30:1 **Lastly** 15:24 22:17 30:8,13 39:21 **impacts** 19:13,17 25:7 late 28:14,17 investigatory 6:7 helpful 23:10 34:8,18 33:9 35:6 Laughter 22:10 involved 5:24 **Hill** 6:23 10:22 13:12 implement 14:22 15:9 16:11,16,20 17:8, law 3:4.20 36:26 **IOUS** 24:24 implementation 29:5 21 19:20 21:5,20 26:4,6 issue 10:4 12:27 15:8, **lean** 25:13 28:8,24,25 32:3 34:11, implications 12:13 10 19:2,5,16 24:22 13,25 37:26 39:5 learned 14:21 27:20 33:18 34:14,20 38:5 **hold** 21:17 Lee 22:13 24:11 26:24 importance 22:14 **issues** 4:28 5:7,19,20 35:9,10,28 36:19,20 **Honor** 6:24 8:16 10:23 7:27 9:5,27 12:11,18, **important** 4:27 22:1 11:5 13:12,22 15:9 left 3:23 21,23,24 13:7,8,15 25:25 27:27 36:23 16:17,23 17:11 18:4 14:5,12,14,17,22,26 **legal** 5:19 8:4 12:10,18 19:21 20:5,26 21:5 **impose** 3:14 23:6 15:5,12,14,20 17:12 15:14,19 17:12 18:20 24:11 25:22 26:6 28:25 18:6,12,14,18,22 21:9, impossible 30:17,19 25:16 34:23 38:10 29:12 32:3,14 33:15 12,13,28 22:4 24:17 35:10,28 36:17,20 incentives 5:5 25:16,18,25,27 26:8,11, **legislation** 19:4,5,12, 37:26 38:19 39:5,7,12 13,28 27:4 29:12,15 15 22:16 **include** 5:18 20:1,26 32:25 34:23 35:8 38:10, Honor's 13:17 15:2,13 35:2,19 38:12 legislative 19:7 16 39:3 hope 16:27 29:16 35:11 included 16:28 17:7 lessons 14:21 **items** 3:27 21:25 33:2 38:16 hoping 20:14 liabilities 28:5,7,8,10 including 24:17 27:1 Houck 3:4,22 4:24 5:3, J liability 34:4 36:28 14 6:3,26 7:8,18,20 8:2, likelihood 18:8 6,12 9:6,10,14,22 10:3, individually 38:24 **Joint** 12:8 8,19,24 11:2,6 15:7 **Lillian** 10:11 25:23 inform 11:20 17:2,18 18:3 19:27 jointly 16:2 28:27 limited 18:20 22:5 20:20 21:16,21 22:11 informally 12:1 judge 3:4,20 4:24 5:3, 24:10,12 25:20 26:3,22 limiting 25:14 14 31:4 36:27 information 4:68:8 27:12 28:7,13,19,23 9:15,20,23 11:3 12:3 **limits** 22:3 31:4,15,28 32:2 33:14 **June** 5:6 13:25 18:11, 20:11 24:4 27:17 34:12,19 35:9,26 36:1, 15 24:27 27:21 list 4:5 6:4 11:4 4,7,10,15,18 37:10,16, initial 13:17 38:9 19,22,27 38:25 39:3,10, **listed** 12:12

Index: guess..listed

litigation 28:5 **mentioned** 5:3 12:12 **Network** 6:19 7:4 order 3:6,8,13,17 15:3 13:1 24:18 24:23 27:27 28:2 33:2 **Lobo** 20:1,7,22 nexus 18:15 met 16:15 18:24 30:28 ordering 39:7 **Local** 36:12 nonfinancial 33:7 34:28 outlining 12:9 **locate** 39:15 nonmonetary 35:8 Michael 10:9,12 outset 15:20 longer 23:25 nonpenalty 33:7 **MILLER** 11:5 overlay 5:4 looming 20:18 **note** 4:13 Mills 11:2 **owned** 8:24 lot 5:23 notice 4:13 11:24 mind 36:22 loud 11:13 November 28:15 mindful 13:23 Ρ low-income 7:25 number 12:10 26:28 Mitigation 24:19 31:20 p.m. 3:2 39:23 mitigations 22:26 numbers 31:27 M Pacific 3:11 moderate 11:13 paper 30:28 made 26:18 29:12 38:2 moment 17:4 18:20 O part 5:8 18:13 24:1 33:16 37:20 **main** 8:18 25:16 26:8,14 27:28 **objection** 6:21,23 8:7 Monday 16:21 17:1 Maintenance 3:10 29:8 33:4,12 10:22,24 37:24 parte 6:10 **make** 6:12 8:4 9:20 objects 10:20 **monetary** 32:6,9,19,27 11:11,19 16:4,24 17:3 partial 17:20 33:9,26 35:7,13,15,21 20:9 21:18 22:8 26:2 obtaining 19:15 30:17,26 32:12 38:22 **participate** 8:3,9 9:17, month 19:24,26 **October** 28:14,17,18 27 10:16 11:28 **maker** 6:14 30:1 31:17 32:7,11,16 morning 16:2,15 29:21 33:27 participating 9:2 makers 6:14 Morsony 16:23 21:22 25:19 offer 25:11 33:14,15 36:3,17 37:4 **makes** 31:6 participation 7:22 9:4 office 6:18,27 7:2 12:3 motion 3:9 20:25 36:26 **making** 38:15 **parties** 5:10,24 6:10 22:12,13 **motions** 4:2 6:16 37:1 manager 25:12 11:20 12:15.22.28 13:4. official 11:7 5,22 15:17,23,25 16:2, **move** 5:17,21 6:2 12:20 mandate 38:21 **OII** 3:19 14:7,15,26 15:3 25,26,28 17:6,15 18:27 28:23 34:9 mark 9:22 39:15 17:26 21:7 24:21 27:10 21:18 23:20 26:1 27:3 moves 36:21 34:27 35:2,17 39:14 29:2,26 30:12 31:15 material 17:23,28 37:8,16 38:23,26 39:1, moving 13:6 **open** 13:1 25:15 30:11 4,8 **matter** 39:23 39:14 MPOWER 8:21 parties' 4:10 13:6 matters 5:12 opening 3:26 4:2 13:13 party 4:3,6 6:4,5,8,9,13, **Mccourtney** 20:2,7,22 15:1 29:28 Ν 17,21,26 7:3,5,7,13,21 **means** 6:9 operate 8:24 9:19,26 10:21,25,27 narrow 5:19 21:9 17:4 35:26 36:1,5,8,14 Operations 3:10 measures 32:8 **nature** 35:23 opinion 15:8 past 14:21 meet 15:18.21 17:15.27 18:27 30:10,16,20,23 necessarily 23:8 pause 16:10 opportunities 5:19 38:8 needed 10:2 pay 24:28 **opportunity** 9:27 10:1 meeting 16:1,20 18:26 negotiate 38:23 17:3 22:25 37:8 38:26 **penalties** 3:14 25:2 37:24 39:9 32:6,27 35:7,13,15 negotiated 16:5 Melissa 7:15,19 oppose 25:9 penalty 23:8 32:19 negotiations 8:3 18:28 member 36:11 19:16,18 21:26 30:3 opposed 34:16,24 people 4:4 7:24 32:4 34:8 memo 4:11 10:6

Index: litigation..people

percentage 32:16	preference 25:26	public.advisor@	35:25 37:20,21,23
person 7:18	prehearing 3:7 10:6	cpuc.ca.gov. 12:5	39:22
Petroleum 10:9,14,20,	11:26 12:8 14:4 17:24 23:2 28:26 29:27	publicize 20:10	refer 3:18
26 25:20 36:7	preliminary 4:11 12:15	publicly 8:24	referenced 13:2 19:28
PG&E 5:2,5,25 6:4,23 9:1 12:8 13:11,23	13:19 14:24	pursuant 11:22 13:17	Reform 6:18 7:4
14:19,21 16:25 17:5	Prepetition 28:7,8	30:6 pushes 31:7	regard 18:6 20:24 26:19
18:24,26 19:1,3,4,14,17 20:16,23 21:14 23:2,11,	present 9:7 12:1	put 31:3	reiterate 26:7
18 24:9,16,18,28 25:13	pretty 24:9 25:11	· 	related 14:12 24:8 35:8
26:20 27:20 28:1,3,10, 27 29:2,10 33:6,10,22	previously 15:16 17:13 26:18	Q	relating 5:25
34:13 36:13 37:5 38:24 39:5,7	prior 20:24	question 7:27 15:13	relevance 19:12
PG&E's 3:15 4:14 7:28	problem 26:24	35:11	rely 33:6 37:14
14:13 18:7,9,10 22:26	problematic 31:9	questions 11:27	remain 13:10 25:25,28
24:25 35:14 39:14	proceed 12:16	quickly 4:26 5:13 6:2 13:28 22:15 23:24 24:2	remains 29:15
place 3:7 18:17 28:9 placeholder 31:20	proceeding 3:21 4:10	13.20 22.13 23.24 24.2	remarks 3:27 13:14
•	5:7 6:8,11,15 7:14,22	R	remedial 32:7
plan 9:2 14:19,20 24:19 26:10,15 28:11	8:1,10,19 9:3 10:1 11:16,28 12:7 13:20,28	R-A-F-I-I 10:12	remedies 3:15 22:3,24 23:6,27 25:10 33:7
planned 7:21	14:3,6 15:6,20 16:6 18:16,17 20:3,17,27	Rachael 24:14	remedy 26:13
planning 8:2 9:7	22:15,24 23:9,14,23	Rafii 10:11 11:1 25:22,	remind 11:6
point 9:6,13,22 16:24	24:1,6,20 25:2,7,8,14 26:13 27:7,27 29:17	23 36:9	reminding 20:6
18:14,23,28 20:13 21:3 37:12	30:6,13 32:20 33:3	raised 14:14	reorganization 28:11
points 5:16	34:22,27 35:2 36:14,21 37:2,7 38:17	raises 4:28	reply 23:20 37:8 39:9
police 23:4	proceedings 5:25,27	ranging 14:12	report 20:13 21:2
portion 24:25	25:3 26:26,28 27:11 29:9 34:26 35:4	ratepayer 25:24	reporter 8:21 11:8,12,
posed 28:25 29:14	process 27:9 31:6	ratepayers 5:2 9:1	14 24:13
positions 12:10 13:6	38:25	13:26 25:6	reporting 23:6
37:13	progress 16:1,5 38:2,	read 8:22	reports 20:9
possibly 21:8	14	real 15:21	represent 8:1,28
post-hearing 30:9	promptly 36:23	reason 14:2 21:11	represents 7:24 36:12
posture 21:7	propose 17:9 31:19	Rechtschaffen 3:23, 26 4:22,23 16:7,13,18	request 24:3 26:20
potential 12:25 22:3 38:28	proposed 17:16 29:11, 26 35:14	19:11,22,25 20:28 22:6 30:15 31:1,14 32:21	33:17 37:4 requesting 4:6 7:21
potentially 25:5,12	provide 20:3 31:17	Rechtschaffen's 4:1	19:9
38:10	37:6,28 38:11	recognize 5:23	require 32:28 35:16 37:15
power 8:23 23:4	providing 34:21,24	recognizes 22:14	
practices 3:11 7:28	public 4:28 6:17,27 7:2 11:23 12:1,2,4 22:12,13	recommend 36:25	required 28:1 33:24 35:23
prebankruptcy 25:1	26:22,23 30:25 33:17	record 3:5 4:8 8:22	requirement 29:2 37:1
prefer 9:18 27:2	35:26 36:15	11:12,19 33:21 34:7,14	

Index: percentage..requirement

•			
requirements 23:7,14	SB 14:20	21:26 25:18 29:22 30:3,	standpoint 25:24
requires 14:20	schedule 4:12,15,19,	18 31:3,12 32:4 34:8 38:2,22	start 4:26 13:11,18
resolution 16:5	20 5:28 9:5 12:26 13:16 15:18,27 16:14,15 17:8	settlements 38:28	state 5:1,11 11:11
resolve 14:13 15:3 21:9 22:15 29:17 30:6,9	24:7,9 27:12 28:23,28 29:10,13,16 30:5,14,16,	SF 8:23	24:12 stated 18:26 30:25 33:8
32:18 resolved 5:8,12 13:28	19,27 31:9 32:22,24 34:9 35:6,15 36:19,24	shareholder 32:28 35:16	statement 12:9 14:4 17:25 21:6 28:27 29:27
31:19 32:23 33:1	scheduled 16:20	shareholders 33:11	32:26
resolving 13:7	scope 4:10,15,17,18 12:7,15 13:16,19 14:3,	35:22	States 10:9,14,20,26 25:20 36:7
resources 18:20	28 15:11 22:2,4 24:6,8,	Sher 6:25 10:23 18:3,4 19:13,24,27 20:5,21	status 4:3,6 6:4,17,22,
respect 3:12 5:28 15:10 24:22 25:10,17	17 25:10,14,26,28 27:14 28:21 38:16	21:3 30:22 31:12,21,22 32:1 33:4 36:5 37:10,11	26 7:3,5,7,14,21 9:26 10:25,28 19:28 34:21
respectfully 24:3	scoping 4:11 10:6	38:18,19 39:2,6,12	35:3 38:12
respond 21:19	seats 22:7	Sher's 21:12	stay 17:9 29:24 30:2,
Respondent 6:5	Section 11:23	short 31:8	17,18 31:5
responding 36:22	SED 6:6,25 12:8 14:25,	shorthand 14:8	stayed 38:6
response 13:19 14:2	27 15:16,22 16:15,24 17:5,15 18:6,19,24	shortly 10:5	stipulate 5:20 18:1 20:16
21:12 26:4 28:22 36:28 37:18 39:20	20:4,12 21:28 28:28	Show 3:13	stipulated 13:9 17:22
result 29:20	30:12,14 31:24 32:12 33:4 36:4	side 25:13 32:19	20:23
resulted 22:20	seek 11:22 16:2 18:8	sideways 31:26 situation 6:1	stipulation 13:8 17:19, 20 38:15
review 30:14	24:4	Slipski 7:16,19,23 8:5,	strong 5:5,16
reviewed 14:18 26:9	seeking 11:21 19:4 20:1	11	structural 23:6,28 25:9
reviewing 18:7 22:19	separate 23:1 38:7	solid 23:17 28:6,9	subject 23:19
ripen 15:28	39:11	sooner 12:24	submission 10:4 18:7
role 3:15 6:9	separately 37:5	sort 20:18	38:4
Rosser 8:14	September 16:3,9,10,	speak 11:13 21:27 31:4	submit 18:22 20:21,25
Rostov 8:15,23 9:8,12,	12 17:10 19:8,9 20:25 29:23,25 31:28 32:2	speaking 23:27	21:10 26:20 39:7
18,25 10:7	series 28:26	specific 14:9,10 15:12	submitted 7:13 14:19 20:8 28:16 32:17
roughly 28:14	serve 11:24 13:27	speculating 34:7	subset 17:25
rude 11:18	served 38:18	speed 11:13	substantial 29:7
rules 6:11 30:7	service 3:17 4:5 6:4	spoke 23:3	successful 19:14
ruling 10:5 24:5 38:7 39:11	11:4	sponsor 8:2	30:19
	session 19:7	sponsoring 10:17	sufficient 15:27 24:28
S	set 14:3 15:4 17:22	stakeholders 5:11	suggest 31:15
safety 5:1,25 6:6 7:26,	settle 18:21 19:14	stand 22:7	suggested 17:12 29:28
28 14:19,20 24:21	settled 27:1,7	standing 10:12	summary 20:14 27:16
26:10,15	settlement 5:9,18 13:1,5 15:24,25 16:27	standing-room-only 22:9	34:21,24 35:3
San 3:1 8:13,17,27			

Index: requirements..support

systematic 14:26	turnaround 26:27	25:20 36:7
ystemic 14:5,12,14,	two-week 26:26	wide 14:11
17 15:5 18:6,12,14,18 21:11,13,28 22:4,24 23:27 24:17 25:25 26:8	U	wildfire 14:19,20 24:19 25:1 26:10,15 27:28
29:11,15	ultimate 34:4	wildfire-related 5:26
	understand 18:10	wildfires 8:25
Т		William 8:13
ag 11:10,17	understanding 9:16 14:27 19:3 20:8 23:1,22 34:25	witnesses 8:3 9:7,9 10:17
aking 30:23 31:12	Understood 39:2	Wong 26:17,19,23,25
alk 4:19 17:5 27:2 31:2 32:22	unionized 36:13	27:23 28:16 32:14,25
alking 4:18 16:8,11	unions 36:11	word 38:20
•		work 31:11
alks 5:18 17:17	unprecedented 6:1	worked 32:10
Technology 7:13,24	unsuccessful 19:17	workers 36:13
erms 15:13 17:8 34:27	unsure 10:16	working 31:22
Territory 3:17	update 20:3 37:28 38:12	wrinkle 29:19
estimony 29:28		wrong 19:19
hing 23:10 32:15	upfront 12:20 15:15 38:11	WSPA 10:15 25:23
hings 4:25 23:7,24,25 31:25 32:19	Utilities 11:23	WSPA's 25:26
hought 33:28	utilities' 22:27	
hreatens 25:3	utility 6:18,20,28 7:4,6 8:25 34:5	<u> </u>
time 3:7 4:9 8:5,6 14:15		year 27:18,21 32:18,23
15:28 16:2 18:8,23 20:14 21:3 26:27 27:6	V	33:28 35:20,24
28:17 29:17,22 30:1,10, 23 31:8 33:27 34:2	variables 28:26	yellow 4:3,7 7:8
iming 12:25 20:20 25:3	violations 14:11	
today 5:15 29:20 39:4	W	
oday's 3:25	walk 3:24	
opic 24:5	walks 5:14	
ouch 13:16	wanted 4:25 16:24 26:7	
rack 32:8	33:15	
agic 22:20	website 12:4	
ranscript 11:8,15	Wednesday 38:1	
urn 3:25 4:21 6:27	week 18:26 38:1,9,12	
16:28 21:21,23 36:1,15 38:20	weeks 23:13,19 27:6 31:5,6,7 34:16 39:8	

Index: systematic..yellow